



U.S. Department of Justice

*United States Attorney
Eastern District of New York*

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F. #2016R01805

271 Cadman Plaza East
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December 17, 2019

By ECF & Email

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Re: United States v. Jeffrey Chartier, Stephanie Lee, and Lawrence Isen
Criminal Docket No. 17-372 (S-2) (JS)

Dear Counsel:

Pursuant to Rule 16(a)(1)(G) of the Federal Rules of Criminal Procedure and Rule 702 of the Federal Rules of Evidence, the government hereby notifies you that, at the trial in the above-referenced matter, the government plans to call Deborah Oremland as an expert witness regarding securities terminology and the United States Securities and Exchange Commission (the “SEC”)’s disclosure requirements, regulations and forms.¹

¹ Much of Ms. Oremland’s testimony will be that of a summary fact witness, pursuant to Federal Rule of Evidence 1006, in connection with which she is expected to summarize the trading activity, price and volume of the publicly traded stock of CESX, NWMH, HECC and ICEIF. She may also summarize the brokerage, blue sheet, clearing firm and/or transfer agent and telephone records produced in discovery to identify relevant trades and trading activity. In

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Ms. Oremland is Senior Counsel at the Criminal Prosecution Assistance Group (“CPAG”) of the Financial Industry Regulatory Authority (“FINRA”). Prior to joining CPAG in 2006, Ms. Oremland worked as an investigator in the Enforcement Department of FINRA from approximately April 2005 to September 2006, and as a Senior Analyst in the Market Regulation section of FINRA from approximately October 2001 to April 2005. She graduated in 1996 from the University of Michigan with a Bachelor of Arts in Psychology, and graduated from the American University, Washington College of Law with a Juris Doctor cum laude in 2000. A copy of her curriculum vitae is attached as Exhibit A.

Among other things, Ms. Oremland is expected to provide expert testimony regarding the following topics: (a) FINRA’s and the SEC’s role in regulating the trading of stocks of publicly-traded companies; (b) general securities industry terms; (c) disclosure requirements of publicly-traded companies registered with the SEC, including the requirements regarding payments to brokers or other individuals involved in selling stock on behalf of companies; (d) securities licensing exams and requirements for registered brokers and others; and (e) ways in which stock price and volume can be manipulated, including by wash and matched trading.

Ms. Oremland may also define various terms for the jury including, but not limited to, Over-the-Counter (“OTC”) markets, public company, restricted shares, free-trading shares, unrestricted shares, float, “blue sheets,” beneficial ownership, microcap stock, manipulative trading, wash trade, and matched trade. Ms. Oremland may define other similar terms, including terms that arise during the course of the trial and on cross-examination. For example, the government expects that Ms. Oremland may testify, in sum and substance, as follows:

- The SEC is the federal agency responsible for the civil enforcement of the federal securities laws, including the Securities Act of 1933 (“Securities Act”) and the Securities Exchange Act of 1934 (“Exchange Act”), as well as the rules that it promulgates pursuant to its statutory authority. Among its many responsibilities, it enforces the laws concerning insider trading, manipulative trading and other fraud in the securities markets.
- FINRA is the self-regulatory organization for the securities industry, operating under the SEC’s authority. FINRA regulates the activities of its members, which include member brokerage firms and registered employees of those firms, and promulgates rules accordingly. Among other things, FINRA regulates members’ conduct and provides discipline for rule violations. FINRA issues professional licenses and conducts related examinations. In addition, FINRA conducts surveillance across different securities markets and product platforms, including equities (stock) markets. FINRA conducts such surveillance with respect to not only

connection with this testimony, Ms. Oremland is preparing summary charts pursuant to Federal Rule of Evidence 1006, which will be provided to the defendants once finalized.

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its members, but also non-members, pursuant to agreements that it has with various exchanges, entities and markets, such as OTC Markets, NASDAQ and the New York Stock Exchange (the “NYSE”). FINRA often makes referrals to the SEC.

- OTC Markets is an inter-dealer quotation and trading system. Although OTC Markets has fewer listing requirements than the NYSE and the NASDAQ, the SEC still regulates OTC Markets. OTC Markets maintains different tiers for companies with large, midsize and small capitalizations, and those tiers carry different requirements.
- A “security” is, among other things, any note, stock, bond, debenture, evidence of indebtedness, investment contract or participation in any profit-sharing agreement.
- A “public company” is a company that issues securities and traded its stock on a stock exchange or over-the-counter market. The company’s shareholders are the equity owners of the company. Daily trading in the market determines the value of the company.
- “Restricted shares” are shares or securities of a publicly traded company (known as an “issuer”) that are not registered with the SEC and cannot be sold to the public. Rule 144 of the Securities Act, however, permits the sale of restricted securities in certain circumstances.
- “Unrestricted” shares are shares that are not restricted and can be sold, or traded, without restriction.
- A “limit order” is a direction given to a bank or broker to buy or sell a security or commodity at a specified price or better during a specified time period.
- “Blue sheet” data is information that FINRA members provide to FINRA and the SEC concerning securities trading. Specifically, the data includes customer-specific information for a particular stock at a particular time, including customer name, address, account number, identity of the shares bought or sold, the number of shares bought or sold, the price and the amount of money paid or received, among other things. Firms are required to provide this information to FINRA or the SEC upon request.
- “Beneficial ownership,” as defined under the SEC rules, includes any person who directly or indirectly shares voting power or investment power (the power to sell a security).
- A “stock manipulation scheme” is a scheme in which a group of individuals who controlled large numbers of allegedly unrestricted shares of a microcap company fraudulently inflated the share price and trading volume of the targeted public company through, inter alia, wash and matched trades, press releases and paid stock promotions. When

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the target company's share price reaches desirable levels, the individuals sell their free trading shares for substantial financial gain.

- A "wash sale" or "wash trade" refers to a purchase and sale of a security where there is no material change in ownership of the security, *i.e.*, the buyer and seller are the same person and entity.

- A "matched trade" is similar to a wash trade. In a matched trade, the buyer and seller are not the same person or entity, but the trade is prearranged, meaning that there is some coordination or connection between the buyer and the seller ahead of the actual order placement and execution of the trades.

Finally, the government anticipates introducing certain information from the Central Registration Depository reports for the defendants through Ms. Oremland. Ms. Oremland will testify and present evidence regarding the securities law and regulation concepts with which the defendants were required to be familiar in order to pass the licensing exams for those securities licenses, and may prepare a summary chart pursuant to Federal Rule of Evidence 1006 regarding their securities licenses.

The government will provide in advance of trial draft copies of the summary charts described above and that the government anticipates introducing through Ms. Oremland. The government provides, as Exhibit B, a transcript of the October 21, 2019 expert testimony of Ms. Oremland in United States v. Michael Watts, 17-CR-372 (JS), the trial of one the co-defendants of Chartier, Lee and Isen.

The government reserves the right to call substitute expert witnesses, as well as to call additional expert witnesses, and will provide advance notice of any intent to do so.

Very truly yours,

RICHARD P. DONOGHUE
United States Attorney

By: _____ /s/
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c.c.: Clerk of the Court (JS) (by ECF) (w/out Exhibit B)